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 **SUPERPACK
CORPORATION
LIMITED**

**1976
ANNUAL
REPORT**

Superpack Corporation Limited

Officers

Irving Gould, *Chairman of the Board*
Vincent P. Paul, *President*
Guido Brina, *Vice-President*
Herman C. Vinnet, *Vice-President of Finance and Secretary*
Gerald Papernick, *Treasurer and Assistant Secretary*

Directors

Irving Gould, *Nassau, Bahamas*
Vincent P. Paul, *Toronto, Ontario*
Stanley J. Randall, *Toronto, Ontario*
William F. Saynor, *Toronto, Ontario*
Herman C. Vinnet, *Union, New Jersey*

Registrar and Transfer Agent

Guaranty Trust Company of Canada

Auditors

Wm. Eisenberg & Co.

General Counsel

Davies, Ward & Beck

Head Office

102 Bloor Street West
Toronto, Ontario

Branch Offices

Los Angeles, *California*
Elizabeth, *New Jersey*
Nassau, *Bahamas*

Listed On

Montreal Stock Exchange

Annual Report 1976

LETTER FROM THE PRESIDENT

Sales for the year ended November 30, 1976 were \$250,512 greater than for the previous fiscal year, however, the sales volume achieved for the last quarter of the current fiscal year, was disappointing. The majority of the reduction of \$411,174 in sales during this period, was the result of a decrease in volume in the metal housewares and manufacturing companies.

The net loss for the year, before unusual items, includes the American packaging subsidiaries' increase in profits which more than offset the combined Nortex Products Company division and Gildon Metal Enterprises Limited increased losses during the current year. This loss was further augmented by income taxes which are payable in the United States on profits earned, but are not recoverable in Canada on losses incurred. Therefore, the consolidation of the operating results of the two companies gives rise to an operating loss further increased by income taxes.

The extraordinary item for 1976 represents the recovery of tax, obtained from the application of the special write-down in the previous year of the St. Louis, Missouri, land and building.

Due to the ongoing problems in the Canadian operations, in mid-1976, your Directors approved the sale of the metal housewares and manufacturing companies to Commodore Business Machines Limited. The approval of this transaction was obtained from the Debentureholders on January 13, 1977. In order to ensure the continuity of the operations, Commodore assumed the day-to-day management of both Nortex and Gildon from June 15, 1976 to the date of closing, at no cost to the company. The sale resulted in the cessation of these Canadian losses, the elimination of cash drains and leaves management free to concentrate on the profitable United States operations. The financial losses of the Nortex Products Company division and the Gildon Metal Enterprises Limited subsidiary will be consolidated only to the date of closing, February 28, 1977.

The American packaging operations have shown excellent recovery during the 1976 fiscal year, with an increase in sales of approximately 12% and an increase in profits, before extraordinary items and taxes, of approximately \$400,000. The outlook for the fiscal year ending November 30, 1977 appears very favourable.

The extension of the Debentures and the modification and changes in their terms, approved by the Debentureholders in February, 1976, eased the annual cash requirements of the company. The new terms and conditions as outlined in Note 3(b) to the Financial Statements have been complied with by the corporation. The company is fully confident that the profits generated by the American operations will be more than sufficient to retire the Debentures in 1983 in accordance with the current provisions of the Trust Deed.

Last year was devoted to restructuring the company in order to place it on a solid financial base, and with the improved economic outlook in the United States, we are confident that, in 1977, we shall achieve satisfactory results.



President

Toronto, Canada
April 22, 1977

Financial Summary

Five Year Combined Financial Summary in Canadian Funds

Year Ended November 30	1976	1975	1974	1973	1972
Gross Operating Revenues	\$ 9,017,649	\$ 8,767,137	\$11,310,009	\$10,000,301	\$10,738,723
Earnings before Undernoted items	465,381	229,673	900,565	683,176	1,095,833
Depreciation and Amortization	213,182	275,619	290,777	317,222	292,350
Interest	361,191	328,847	385,224	309,716	231,561
Income Taxes	184,454	(37,792)	62,607	34,830	276,049
Net Earnings (loss) from Continuing Operations	(293,446)	(337,001)	161,957	21,408	295,873
Unusual Items and Discontinued Operations	—	(320,000)	(754,674)	(156,979)	(111,672)
Net Earnings (loss) before Extraordinary Items	(293,446)	(657,001)	(592,717)	(135,571)	184,201
Extraordinary Items	125,537	(244,576)	8,735	197,339	—
Net Earnings (loss)	(167,909)	(901,577)	(583,982)	61,768	184,201
Earnings (loss) per share on :—					
Net Earnings (loss) from Continuing Operations	(0.52)	(0.59)	0.28	0.04	0.52
Unusual Items and Discontinued Operations	—	(0.56)	(1.32)	(0.27)	(0.20)
Net Earnings (loss) before Extraordinary Items	(0.52)	(1.15)	(1.04)	(0.23)	0.32
Extraordinary Items	0.22	(0.42)	0.02	0.34	—
Net Earnings (loss)	0.30	(1.57)	(1.02)	0.11	0.32
Average number of shares outstanding during year	566,697	572,687	572,687	572,687	572,570

Note : Certain of the above figures have been reclassified for comparative purposes

Auditors' Report

To the shareholders,
SUPERPACK CORPORATION LIMITED

We have examined the consolidated balance sheet of Superpack Corporation Limited and its subsidiary companies as at November 30, 1976, and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. For Superpack Corporation Limited and for those other companies of which we are the auditors and which are consolidated in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For other companies consolidated, we have relied on the reports of auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1976, the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 2, 1977.

WM. EISENBERG & CO.
Chartered Accountants

Superpack Corporation Limited

and subsidiary companies

Consolidated Statement of Earnings for the year ended November 30, 1976

	1976	1975
SALES	\$ 9,017,649	\$ 8,767,137
EARNINGS FROM OPERATIONS BEFORE UNDERNOTED ITEMS	\$ 465,381	\$ 229,673
Amortization of deferred charges	33,750	53,286
Depreciation	179,432	222,333
Interest on long-term debt	139,419	147,331
Other interest	221,772	181,516
LOSS BEFORE UNUSUAL ITEMS	(108,992)	(374,793)
Write-down of investments	—	320,000
LOSS BEFORE TAXES AND EXTRAORDINARY ITEMS	(108,992)	(694,793)
Income taxes	(184,454)	37,792
LOSS BEFORE EXTRAORDINARY ITEMS	(293,446)	(657,001)
Extraordinary items (note 4)	125,537	(244,576)
NET LOSS FOR YEAR	\$ (167,909)	\$ (901,577)
LOSS PER SHARE (note 6)		
Before extraordinary item	\$(0.52)	\$(1.15)
Net loss for year	\$(0.30)	\$(1.57)

Consolidated Statement of Deficit for the year ended November 30, 1976

	1976	1975
Deficit, beginning of year	\$ (1,207,609)	\$ (306,032)
Net loss for year	(167,909)	(901,577)
Deficit, end of year	\$ (1,375,518)	\$ (1,207,609)

The attached notes form an integral part of these financial statements.

Superpack Corporation Limited

and subsidiary companies

Consolidated Balance Sheet as at November 30, 1976

ASSETS

CURRENT

	<u>1976</u>	<u>1975</u>
Cash	\$ 38,057	\$ 1,603
Accounts receivable (note 3)	1,343,193	1,609,628
Inventories (notes 1 and 3)	1,325,261	1,295,407
Prepaid expenses and sundry assets	52,709	77,427

	<u>2,759,220</u>	<u>2,984,065</u>
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INVESTMENTS (note 2)

	<u>9,114</u>	<u>421,044</u>
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FIXED (note 3)

Machinery, furniture and fixtures	2,170,899	2,228,727
Leasehold improvements	289,540	276,931
Tools and dies	388,690	368,825
Vehicles	140,887	102,666
Vending units	995,443	1,053,884
Total, at cost	3,985,459	4,031,033
Accumulated depreciation (note 1)	3,257,525	3,199,966
	<u>727,934</u>	<u>831,067</u>

OTHER

Patents and trademarks (notes 1 and 3)	37,613	44,905
Deferred charges (note 1)	37,217	36,791
	<u>74,830</u>	<u>81,696</u>
	<u>\$ 3,571,098</u>	<u>\$ 4,317,872</u>

Approved on behalf of the Board

"I. Gould", Director

"V. P. Paul", Director

LIABILITIES

	<u>1976</u>	<u>1975</u>
CURRENT		
Bank indebtedness	\$ —	\$ 1,339,158
Accounts payable	1,421,256	1,677,811
Owing to director (including his associates)	143,000	143,000
Long-term debt, due within one year (note 3)	1,455,011	220,670
Income taxes payable	99,365	92,090
	<u>3,118,632</u>	<u>3,472,729</u>
LONG-TERM DEBT		
Notes and loans payable (note 3)	104,722	179,214
Debentures payable (note 3)	894,000	1,004,500
	<u>998,722</u>	<u>1,183,714</u>
DEFERRED INCOME TAXES (note 1)	<u>50,947</u>	<u>78,743</u>
	<u>4,168,301</u>	<u>4,735,186</u>

SHAREHOLDERS' EQUITY**CAPITAL STOCK**

Authorized

50,000 6% Cumulative, redeemable preference shares, par value \$20

1,000,000 Common shares, without par value

Issued

566,697 Common shares (note 6)

DEFICIT	<u>(1,375,518)</u>	<u>(1,207,609)</u>
	<u>(597,203)</u>	<u>(417,314)</u>
	<u>\$ 3,571,098</u>	<u>\$ 4,317,872</u>

The attached notes form an integral part of these financial statements.

Superpack Corporation Limited

and subsidiary companies

Consolidated Statement of Changes in Financial Position for the year ended November 30, 1976

	1976	1975
SOURCE OF FUNDS		
Net loss for year before extraordinary items	\$ (293,446)	\$ —
Expenses not requiring working capital		
Depreciation	179,432	—
Deferred income taxes	(27,796)	—
Amortization of deferred assets	16,401	—
Tax benefit arising on the utilization of losses carry forward	125,537	—
Loss on disposal of investments	7,797	—
Funds from operations	7,925	—
Proceeds on disposal of division's fixed assets	—	67,478
Proceeds on disposal of investments (net)	404,203	—
	<u>412,128</u>	<u>67,478</u>
USE OF FUNDS		
Net loss for year before extraordinary items	—	657,001
Expenses not requiring working capital		
Depreciation	—	(222,333)
Deferred income taxes	—	47,676
Amortization of deferred assets	—	(33,423)
Write-down of investments	—	(320,000)
Funds absorbed by operations	—	128,921
Additions to fixed assets (net)	76,299	118,290
Additions to deferred assets	21,515	3,830
Reduction in long-term debt (net)	184,992	227,429
Investments	70	53
	<u>282,876</u>	<u>478,523</u>
INCREASE (DECREASE) IN WORKING CAPITAL	129,252	(411,045)
WORKING CAPITAL DEFICIT, BEGINNING OF YEAR	(488,664)	(77,619)
WORKING CAPITAL DEFICIT, END OF YEAR	<u>\$ (359,412)</u>	<u>\$ (488,664)</u>

The attached notes form an integral part of these financial statements

Superpack Corporation Limited

and subsidiary companies

Notes to the Consolidated Financial Statements as at November 30, 1976

1. Summary of Significant Accounting Policies

(a) Principles of consolidation

The Consolidated Financial Statements include the accounts of the following wholly-owned subsidiary companies and divisions:

Companies

Gildon Metal Enterprises Limited
Scientific Packaging Corp.
— Coin-Op Sales Inc.
Superpack Vending Company (Nassau) Limited
Superpack Vending (Curacao) Limited

Division

Nortex Products Company

(b) Inventories

Inventories are valued at the lower of cost (principally first-in, first-out) and net realizable value, and consist of the following:

	1976	1975
Raw materials	\$ 544,231	\$ 639,879
Work-in-progress	480,208	369,686
Finished goods	300,822	285,842
	<u>\$1,325,261</u>	<u>\$1,295,407</u>

(c) Translation of foreign currencies

Foreign currencies have been translated into Canadian dollars on the following basis:

Current assets and current liabilities	— at the prevailing rate at the balance sheet date
Other assets and liabilities	— at historical rates
Income and expenses	— at average rates for the year, except for depreciation and amortization, which are translated on the same basis as their related assets.

Gains and losses on translation have been reflected in the consolidated statement of earnings.

(d) Depreciation of fixed assets

Depreciation is provided on a straight-line basis (except for vending machines which are being depreciated on the sum of digits method) at rates which are designed to amortize the cost of the assets over their estimated useful lives as follows:

Machinery, furniture and fixtures	— 10%
Leasehold improvements	— 5 to 15 years
Tools and dies	— 33-1/3%
Vehicles	— 15% to 25%

(e) Patents and trademarks

The company has written down its cost of patents, licenses and trademarks incurred prior to November 30, 1968 (previously amortized over 20 years) to a nominal value of \$1. Patent and trademark costs incurred subsequent to that date are being amortized over a period of 10 years on a straight-line basis.

	1976	1975
(f) <i>Deferred charges</i>		
Debenture extension expense is amortized over 9 years on a straight-line basis at \$2,390 per annum	\$20,496	\$ 5,485
Leasing expense is amortized over the life of the lease at approximately \$2,181 per annum	16,721	21,032
Plant and labour study	—	10,274
	<u>\$37,217</u>	<u>\$36,791</u>

(g) Deferred income taxes

Income taxes have been provided in respect of timing differences between accounting and taxable income primarily relating to fixed assets.

2. Investments in Other Companies

	1976	1975
Corporate Properties Limited — 200,000 Common shares (20%)	\$ —	\$ 400,000
Sundry, at cost	9,114	21,044
	<u>\$ 9,114</u>	<u>\$ 421,044</u>

Superpack Corporation Limited

and subsidiary companies

Notes to the Consolidated Financial Statements (continued) as at November 30, 1976

3. Long-Term Debt

	1976	1975
(a) <i>Notes and loans payable</i>		
Secured by book debts, inventories, fixed assets, patents and trademarks, repayable interest only, maturing September 1977.		
(i) Interest at 15% secured by collateral pledged by certain directors	\$1,000,000	\$ —
(ii) Interest at 6.5% over Canadian prime rate (minimum 15%)	204,330	—
	<u>1,204,330</u>	<u>—</u>
U.S.A. prime rate plus 4.625% secured by certain inventory and fixed assets of a U.S. subsidiary and restrictions on dividends by that subsidiary; repayable at \$150,000 per annum in U.S. funds	217,650	269,514
Other, secured by certain fixed assets and repayable in U.S. funds at approximately \$24,000 per annum	50,408	23,910
Other debt	12,345	31,460
	<u>1,484,733</u>	<u>324,884</u>
Due within one year	1,380,011	145,670
	<u>\$ 104,722</u>	<u>\$ 179,214</u>
	1976	1975
(b) <i>Debentures payable</i>		
Debentures outstanding at end of year	\$ 969,000	\$1,079,500
Due within one year	75,000	75,000
	<u>\$ 894,000</u>	<u>\$1,004,500</u>

Under the terms of the amended trust indenture dated February 16, 1976, the 10% convertible sinking fund debentures maturing December 31, 1983 are secured by a floating charge on the assets of the company and its subsidiaries, and are convertible at the holder's option into common shares to December 1983, at varying

prices between \$6.00 and \$12.00 per share increasing \$1.00 per year.

The Debentures are redeemable under certain conditions at a premium which reduces annually. The sinking fund requirements from March 31, 1977 to March 31, 1983 are a minimum of \$75,000 annually. The company may reduce the amount of the sinking fund payment required by the cost of debentures purchased for redemption during the year.

4. Extraordinary Items

	1976	1975
Tax benefit arising on the utilization of losses carry forward (U.S.A.)	\$ 125,537	\$ —
Gain on sale of machinery on closing of packaging plant (U.S.A.)	—	27,582
Write-down of land and building on closing of packaging plant (U.S.A.)	—	(272,158)
	<u>\$ 125,537</u>	<u>(\$ 244,576)</u>

5. Commitments

(a) The following minimum annual payments are required based on sales of products manufactured under certain trademarks and patent rights:

1977	\$30,000
1978	\$35,000
1979	\$35,000

(b) The minimum annual rent on leases for 1977 amounts to \$215,000, plus certain occupancy costs. These leases expire at varying dates up to 1984 and require total payments of approximately \$1,532,700.

6. Capital Stock

	Number of Shares	
Total issued	578,287	\$ 834,995
Held by U.S.A. subsidiary (note 6d)	11,590	56,680
	<u>566,697</u>	<u>\$ 778,315</u>

(a) *Debenture conversion*

As at November 30, 1976, the company has reserved a maximum of 101,500 common shares of its authorized

Superpack Corporation Limited

and subsidiary companies

Notes to the Consolidated Financial Statements (continued) as at November 30, 1976

capital for the possible conversion of debentures (note 3).

(b) *Option*

The company has reserved 7,500 common shares of its authorized capital for an employee's stock option, which may be exercised on or before February 7, 1978 at a price of \$3.50 per share.

(c) *Earnings per share*

Fully diluted earnings per share have not been calculated on the above option and conversions, as the effect of this calculation would be antidilutive.

- (d) During 1976 a U.S.A. subsidiary purchased 4,990 shares of Superpack common stock from a former employee for \$11,980, bringing the total number of Superpack shares held by the subsidiary at November 30, 1976 to 11,590 shares.

7. Remuneration of Directors and Senior Officers

Aggregate remuneration of senior officers and directors of the company paid during the year amounted to \$165,027 (1975 – \$216,015).

8. Segmented Sales

	1976	1975
Packaging	\$4,977,739	\$4,114,388
Metal housewares and manufacturing	4,039,910	4,652,749
	<u>\$9,017,649</u>	<u>\$8,767,137</u>

9. Loss Carried Forward

The company and a subsidiary have losses for tax purposes of \$908,700 for which deferred income taxes have not been provided, due to the uncertainty of their realization. These losses expire in varying amounts from 1978 to 1982.

10. Subsequent Event

Subsequent to the year-end, the Nortex Products Company division and the Gildon Metal Enterprises Limited shares were sold, subject to certain conditions. The purchaser agreed to assume all liabilities, and to take over the assets at a price in excess of their net book value.

St. Toronto
~~St. Toronto~~
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**SUPERPACK
CORPORATION
LIMITED**

3370 PHARMACY AVENUE
AGINCOURT, ONTARIO

Subsidiaries and Divisions

SCIENTIFIC PACKAGING CORPORATION
Elizabeth, New Jersey Los Angeles, California

COIN-OP SALES CORPORATION
Elizabeth, New Jersey

NORTEX PRODUCTS COMPANY
Toronto, Ontario

GILDON METAL ENTERPRISES LIMITED
Toronto, Ontario

SUPERPACK VENDING (NASSAU) LIMITED
Nassau, Bahamas

SUPERPACK VENDING (CURACAO) N.V.
Nassau, Bahamas

Directors

G. BRINA I. GOULD V. P. PAUL
S. J. RANDALL W. F. SAYNOR

Officers

I. GOULD, Chairman of the Board

V. P. PAUL, President

G. BRINA, Vice-President

H. VINNET, Vice-President of Finance and Secretary

G. PAPERICK, Treasurer and Assistant Secretary

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA

Auditors

WM. EISENBERG & CO.

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**SUPERPACK
CORPORATION
LIMITED**

Cancel

**INTERIM REPORT
for the
Six Months Ended
May 31, 1976**

Earnings

Sales.....	✓
Earnings (Loss) Before the Undernoted Items.....	
Amortization of deferred charges.....	
Depreciation.....	
Interest on long-term debt.....	
Other interest.....	
Loss Before Taxes and Extraordinary Item	
Income taxes.....	
Loss Before Extraordinary Item.....	✓
Extraordinary item (note 1).....	
Net Loss for Period.....	
Loss per Share	
Before extraordinary item.....	✓
Net loss for period.....	
Average Number of Shares Outstanding	

Note to Unaudited Interim Results

NOTE 1: The extraordinary item represents income tax expense resulting from the application of the prior year loss.

CONDENSED INTERIM RESULTS (Subject to year-end adjustment)

Source and Application of Funds

For the Six Months Ended
June 30, 1976 June 30, 1975

522,351	\$4,142,866	✓
214,020	(84,916)	
9,444	15,676	
95,580	111,235	
64,886	109,285	
103,494	64,127	
59,384	385,239	
75,000	—	
134,384	385,239	✓
(75,000)	—	
59,384	\$ 385,239	
0.23	\$ 0.67	✓
0.10	\$ 0.67	
572,687	572,687	

For the Six Months Ended
May 31, 1976 May 31, 1975

Source of Funds

Sale of investments.....	\$ 412,000	\$ —
Net book value of fixed asset disposals.....	17,612	36,321
	<u>\$ 429,612</u>	<u>\$ 36,321</u>

Use of Funds

Net loss.....	\$ 59,384	\$ 385,239
Less: Expenses not requiring working capital		
Depreciation and amortization.....	105,024	126,911
	(45,640)	258,328
Fixed assets.....	66,468	69,947
Other assets.....	17,813	36,193
Long-term debt.....	98,449	212,802
	<u>137,090</u>	<u>577,270</u>
Increase (Decrease) in Working Capital.	292,522	(540,949)
Working Capital (Deficit) Beginning of Period.....	<u>(488,664)</u>	<u>(77,619)</u>
Working Capital (Deficit) End of Period.	<u>\$ (196,142)</u>	<u>\$ (618,568)</u>

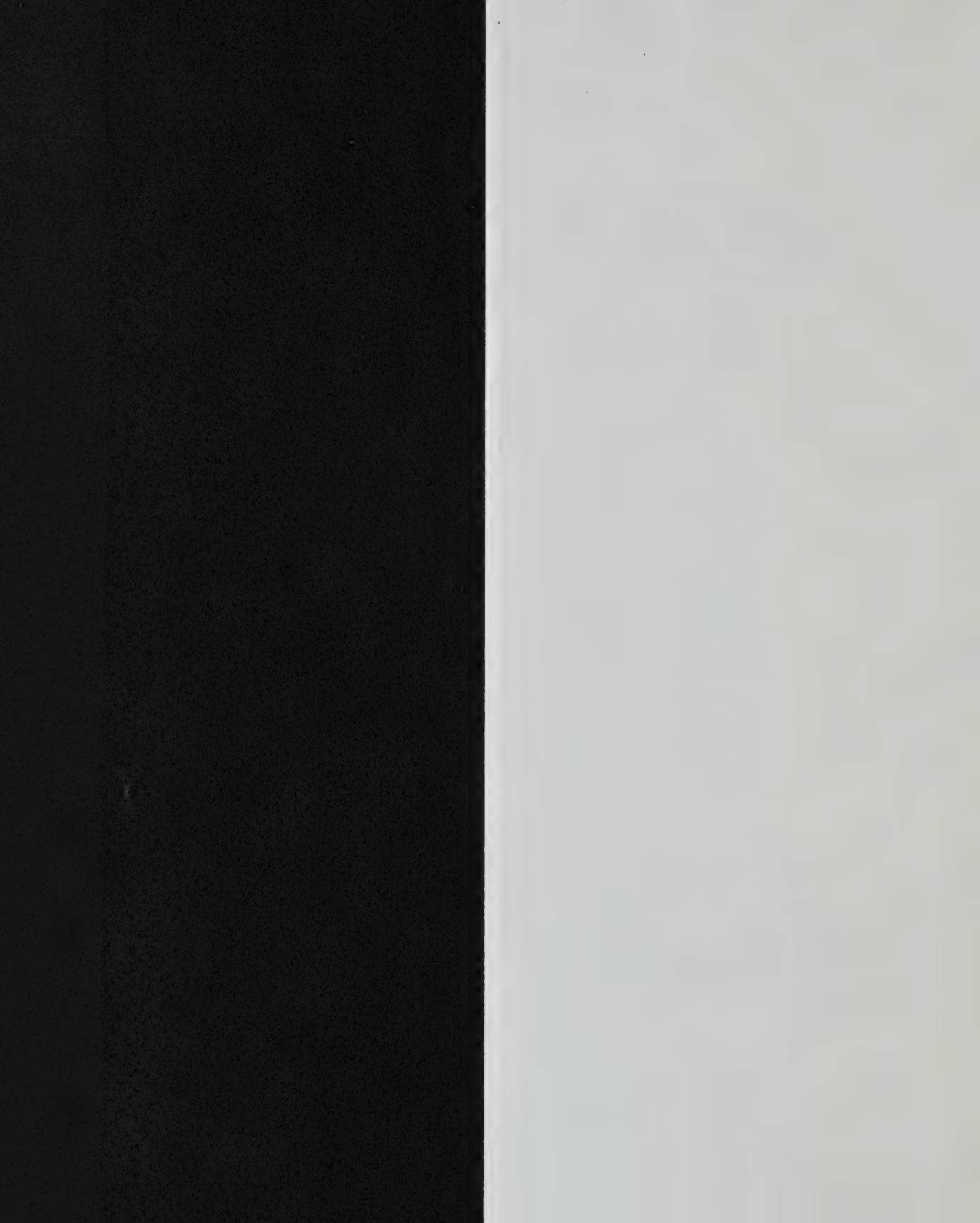
To the Shareholders

Income taxes recoverable by

The American packaging operation continued to show satisfactory improvements in sales and earnings during the current three month period. The slower pace of recovery in the Canadian economy has contributed to the sales volume of the metal housewares manufacturing operation continuing at a level below our expectations.

July 19, 1976

VINCENT P. PAUL
President



**SUPERPACK
CORPORATION**

LIMITED

**102 BLOOR STREET WEST
TORONTO, ONTARIO**

Subsidiaries and Divisions

SCIENTIFIC PACKAGING CORPORATION
Elizabeth, New Jersey Los Angeles, California

COIN-OP SALES CORPORATION
Elizabeth, New Jersey

SUPERPACK VENDING (NASSAU) LIMITED
Nassau, Bahamas

SUPERPACK VENDING (CURACAO) N.V.
Nassau, Bahamas

Directors

**I. GOULD V. P. PAUL S. J. RANDALL
W. F. SAYNOR H. C. VINNET**

Officers

**I. GOULD, Chairman of the Board
V. P. PAUL, President
G. BRINA, Vice-President**

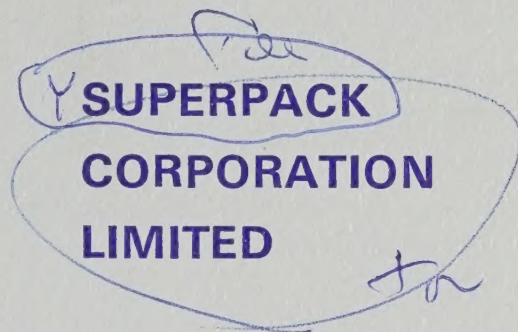
**H. C. VINNET, Vice-President of Finance and Secretary
G. PAPERINICK, Treasurer and Assistant Secretary**

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA

Auditors

WM. EISENBERG & CO.



INTERIM REPORT

for the

Six Months Ended

May 31, 1977

UNAUDITED INTERIM RESULTS (Subject to year-end audit)

Earnings

	For the Six Months Ended	
	May 31, 1977	May 31, 1976 (restated)
Sales	\$2,391,989	\$2,148,961
Earnings Before the Undernoted Items ...	321,649	232,539
Amortization of deferred charges.....	5,827	9,252
Depreciation.....	48,668	42,716
Interest on long-term debt.....	62,344	64,886
Other interest.....	8,149	66,246
Earnings From Continuing Operations ...	196,661	49,439
Loss From Discontinued Operations	65,657	108,823
Earnings (Loss) Before Taxes and Extraordinary Items	131,004	(59,384)
Income Taxes.....	92,096	75,000
Earnings (Loss) Before Extraordinary Items	38,908	(134,384)
Extraordinary Items		
Tax benefit arising on the utilization of losses carry forward.....	—	75,000
Deferred income taxes recovered by application of prior year losses.....	139,995	—
Gain on sale of Nortex Products Division and Gildon Metal Enterprises Limited shares (net of deferred tax of \$89,048).....	276,638	—
Net Earnings (Loss) for Period	\$ 455,541	\$ (59,384)
Earnings (Loss) Per Share		
Before extraordinary items.....	\$ 0.07	\$ (0.23)
Extraordinary items.....	0.73	0.13
Net earnings (loss) for period.....	\$ 0.80	\$ (0.10)
Average Number of Shares Outstanding ..	566,697	572,687

Statement of Changes in Working Capital

Source of Funds

Earnings (loss) before extraordinary items
 Expenses not requiring working capital
 Depreciation and Amortization
 Tax benefit arising on the utilization of losses carry forward.....
 Gain on sale of Nortex Products Division and Gildon Metal Enterprises Limited shares including income taxes.....
 Sale of fixed assets.....
 Sale of investments.....

Use of Funds

Additions to fixed assets (net of depreciation).....
 Additions to other assets (net of depreciation).....
 Reduction in long-term debt.....

Increase in Working Capital

Working Capital (Deficiency) at Beginning of Period.....

Working Capital (Deficiency) at End of Period.....

To the Shareholders

The statement of earnings for the six months ended May 31, 1976, has been restated to conform with the statement of earnings for the six months ended May 31, 1977, which figures and is shown as follows:

Scientific Packaging Corporation has achieved a corresponding increase in sales as achieved by Scientific Packaging Corporation. Scientific Packaging Corporation has also achieved a corresponding increase in sales as achieved by Scientific Packaging Corporation.

July 18, 1977

ustment)

anges in Financial Position

	For the Six Months Ended	
	May 31, 1977	May 31, 1976
inary items.....	\$ 38,908	\$ (134,384)
g capital		
on.....	54,495	105,024
tilization of losses	—	75,000
.....	<u>93,403</u>	<u>45,640</u>
ucts Division and		
imited shares in-	365,142	—
.....	357,067	17,612
.....	—	412,000
.....	<u>\$ 815,612</u>	<u>\$ 475,252</u>
.....	58,112	66,468
.....	(5,836)	17,813
net).....	88,702	98,449
.....	<u>\$ 140,978</u>	<u>\$ 182,730</u>
al.....	\$ 674,634	\$ 292,522
) Beginning of		
.....	(359,412)	(488,664)
End of Period..	<u>\$ 315,222</u>	<u>\$ (196,142)</u>

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the six months ended May 31, 1976 has been current year's presentation. This revision segregates Division and Gildon Metal Enterprises Limited from Discontinued Operations".

oration has maintained the same percentage in the first quarter of the current fiscal year and ending increase in net earnings.

VINCENT P. PAUL
President

